



**Issue 47 (2007)**  
**November 16-22, 2007**

**Part 1: News Analysis**

As the dust settles from the major Turkmenistan International Oil and Gas Exhibit and Conference (TIOGE) held November 14-15, 2007, messages about how Turkmenistan should do business, sent by the Turkmen president and some of the hundreds of businessmen and foreign officials, continued to reverberate clearly.

Chief among them were that, while remaining committed to the Caspian shore pipeline via Russia, President Berdymukhamedov's priority is to encourage free-market competition for Turkmenistan's rich energy resources and to use its resulting leverage to drive up the price of its natural gas.

Another message -- voiced by some in the west -- was that the Turkmen government should make transparency and environmental protection a standard part of doing business. In his speech at the Oil and Gas Conference, US Energy Secretary Samuel Bodman underscored President Berdymukhamedov's own statement, made during a private meeting in New York in September, that Turkmenistan is concerned about the environmental impact of pipelines and would give preference to partners who addressed these concerns. He also used the occasion to signal that the US is willing to provide substantial assistance in developing the energy sector as well as social infrastructure, but called on the government of Turkmenistan to conduct business transparently and with reliable partners. He noted, "energy exploration and production projects have a long lifespan and you want to have, as your partners, people and companies that you trust to do right by your country and its citizens. In order for these partners to invest their capital and their expertise, they will need a transparent, stable and market-oriented legal, fiscal and regulatory framework."

As businessmen went back to their capitals hopeful of investment after the TIOGE conference, the London-based watchdog group Global Witness and other observers sounded a sobering note this week, asking again what happened to the at least US \$3 billion in state revenues that Global Witness asserts former president Saparmurat Niyazov had deposited in off-budget at Deutsche Bank. Disclosure of that information, and use of it for the public good, is seen by many as a crucial litmus test of the new regime's commitment to transparency.

Turkmenistan is also looking at options for securing international assistance for its domestic development. On November 12, the Turkmen leader announced that US \$4 billion would be invested beginning in January 2008 to help raise the standard of living in his country. Following that stunning announcement, no further information was available about the commitment.

## Part 2: News Digest

Summary: Following the successful Turkmenistan International Oil and Gas Exhibit and conference, US Energy Secretary Samuel Bodman offered Turkmenistan assistance in developing its energy reserves and urged the government to find stable, transparent, and market-oriented partners. President Berdymukhamedov announced a US \$4 billion investment in domestic development to begin in 2008 to raise the standard of living.

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## 1. INTERNATIONAL RELATIONS

### a. U.S. Energy Secretary Offers Cooperation in Developing Turkmenistan

*Original title: Remarks As Prepared for Energy Secretary Samuel Bodman*

*12th Annual Turkmenistan International Oil and Gas Exhibition. Excerpt by OSI Turkmenistan Project.*

**Source:** U.S. Embassy—Ashgabat/11/15/07

**Full version:** <http://turkmenistan.usembassy.gov/speech20071115.html>

Excerpt: [Passage omitted on greetings and congratulations to hosts.]

Given the enormous potential of Turkmenistan's energy resources... and the openness that President Berdymukhamedov and his administration are showing toward the rest of the world, it is only natural that people would come here. Speaking in New York to a group of industry representatives, the President of Turkmenistan noted that his country is interested in long-term relationships. So is the United States. I hope we can expand and enrich our relationship and extend cooperation to new areas.

Early in his term I wrote to Turkmenistan's President and extended the hand of my Department and invited him to send a delegation of senior energy representatives to the United States. I'm delighted he accepted and I am even more pleased that Mr. Myradov and a number of his senior technical experts visited our Department and went to the center of the U.S. oil and gas business in Houston, Texas to see our industry at work. Building on that visit, we are currently working on developing new science and education exchanges between our two countries.

This is a critical time in the history of this country – one that provides the government new and dramatic opportunities to improve the lives of its citizens.

Clearly the vast natural resources in this country of oil, gas and agriculture will play a critical role in providing the revenue to grow the economy.

Increasing energy security is essential for every country around the world and each nation must pursue those policies appropriate to its circumstances. Here, in my view, energy security means having options – in other words a diversified set of partners and new infrastructure. However, in order to fully realize the true hydrocarbon reserve and production potential here in Turkmenistan, first you really have to define and let it be known the extent of the reserves here.

It is clear that there is recognition of and respect for the value that foreign investment and private companies can bring to this economy through the successful exploration and production of Turkmenistan's oil and gas reserves. As new and increasingly deep deposits of oil and natural gas are discovered, Turkmenistan should seek out partners who have demonstrated international experience, diverse technical expertise, experienced employees, and a proven track record of successful project development. I can not emphasize enough the importance of choosing the right partners. As you well know, energy exploration and production projects have a long lifespan and you want to have, as your partners, people and companies that you trust to do right by your country and its citizens.

In order for these partners to invest their capital and their expertise, they will need a transparent, stable and market-oriented legal, fiscal and regulatory framework. The President of Turkmenistan underlined the importance of these issues in New York; in fact, he said he would welcome comment on Turkmenistan's laws and government policies from potential investors. And I hope the companies here and others accept this invitation.

I also want to talk about getting hydrocarbons to market. Turkmenistan certainly has significant reserves; in fact, it may have one of the largest natural gas reserves in the world – and it has significant oil reserves. However, there is much concern about the lack of export capacity for oil and gas. Companies developing and producing these reserves will need certainty that commercial pipeline export options will be developed. They are putting their shareholders' financial resources at stake. Pipelines naturally follow investment; they cannot come first. It is clear that Turkmenistan will need new export options. And it is welcome news that the President of Turkmenistan has said that all possibilities will be considered.

There is an additional issue I want to single out for special attention.

In his New York speech, Turkmenistan's President said that investors don't always seem to care enough about the natural environment and that, in the process of investor selection, Turkmenistan will give preference to world-class companies whose policies address environmental protection issues.

The United States government strongly supports this position. Each government has a duty to protect the environment; and private sector investors share in this responsibility. There are a large number of oil and gas companies, not just American companies, that have an impressive international record; their investments in environmental technologies and corporate environmental management policies make them more competitive in this market. Good corporate behavior and concern for the bottom line do go hand-in-hand.

[Passage omitted wishing Turkmenistan success in raising living standards and offer of cooperation from the U.S.]

## **b. US to Support Turkmen Pipeline Projects: Energy Secretary**

*Source: FBIS/TV Altyr Assyn/11/15/07*

[Presenter] Samuel Bodman, the US energy secretary, currently on a visit in Ashgabat, has held a series of talks on boosting Turkmen-American relations. [On November 15], at the exhibition centre of our capital, he met with a number of Turkmen and foreign journalists and answered their questions.

[Passage omitted: Bodman greets journalists and speaks about his meeting with the Turkmen president, Gurbanguly Berdymukhamedov.]

[Bodman in English with Turkmen interpretation overlaid] I told the president that his decision to open Turkmenistan for the flow of western investments was a very wise step. I think that this decision will boost the use of Turkmenistan's huge oil and gas reserves as well as the implementation of [export] pipeline projects. Our energy department has already offered its support and technical assistance to this effect and I reiterated this position once again.

[Passage omitted: remarks by the presenter]

[Correspondent] The US energy secretary, talking to reporters there, said that Turkmenistan, a country with immense mineral resources, is very attractive for foreign partners and the 12th international oil and gas fair just being held there is a very clear confirmation of this.

[Passage omitted: praising remarks on the exhibition]

Turkmenistan has shown itself as a country with strong economic potentials and capable of developing trade relations and business partnership with the world's most famous companies and firms. Many foreign companies are interested in getting an access to the promising markets of Turkmenistan.

Our relations with Turkmenistan are strengthening very fast and I hope that this partnership will be enriched with new and constructive content, the guest said adding that Turkmenistan's natural resources are used in the interests of its population and so will it be in the future.

[Passage omitted: Bodman wishes every best to the country and its leadership]

## **c. Turkmen President Reaffirms Commitment to Caspian-shore Pipeline Project**

*Original title: Turkmenistan to Proceed With Russian Gas Pipeline. Synopsis by OSI Turkmenistan Project.*

*Source: Guardian/Reuters/11/20/07*

*Full version: <http://www.guardian.co.uk/feedarticle?id=7090270>*

Synopsis: Ahead of a visit from Russia's Prime Minister Viktor Zubkov, President Gurbanguly Berdymukhamedov reaffirmed his commitment to a planned gas pipeline through Russia, although a final

agreement has not been signed due to unresolved price negotiations between Russia, Kazakhstan, and Turkmenistan, Reuters reported. "Honouring its obligations, Turkmenistan will continue its efforts to promote the Caspian Gas Pipeline project," state media quoted him as saying. The proposed pipeline would pump 10-20 bcm per year. Deputy Prime Minister Tachberdy Tagiyev, in charge of the gas industry, said Turkmenistan "is fully complying" with all draft agreements governing the project.

#### **d. Turkmenistan Plays Increasingly Active Role in CIS: CIS Official**

**Original title:** *Sergei Lebedev Says Turkmenistan Plays Increasingly Active Role in CIS. Synopsis by OSI Turkmenistan Project.*

**Source:** [turkmenistan.ru/11/21/07](http://turkmenistan.ru/11/21/07)

**Full version:** [http://www.turkmenistan.ru/?page\\_id=3&lang\\_id=en&elem\\_id=11640&type=event&sort=date\\_desc](http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=11640&type=event&sort=date_desc)

**Synopsis:** Sergei Lebedev, chairman of the CIS Executive Committee, said Turkmenistan is playing an increasingly active role in the CIS and demonstrating a "business-like and constructive approach to cooperation," [turkmenistan.ru](http://turkmenistan.ru) reported, citing the State News Agency (TDH). Lebedev was in Ashgabat November 20 to prepare for the CIS heads of government in Turkmenistan November 22

The two sides discussed economic cooperation, transportation, and security. President Berdymukhamedov. The pressed urged the promotion of humanitarian issues through the CIS. "'We can significantly influence the quality of the interstate dialogue, the level of trust and mutual understanding, strengthening the ties of friendship and good neighborliness by stimulating greater interest in culture, traditions and customs of different countries and peoples and cooperating in this sphere,'" he said.

#### **e. OSCE Organizes Seminar for Election Observers in Turkmenistan**

**Original title:** *OSCE Centre Organizes Seminar for Domestic Observers in Turkmenistan*

**Source:** *OSCE Press Centre/11/20/07*

**Full version:** <http://www.osce.org/item/28136.html>

More than 70 domestic observers from the Democratic Party of Turkmenistan, the Women's Union, the Youth Organization and the National Institute for Democracy and Human Rights took part in an OSCE seminar on domestic election observation November 19-20. The two-day event was organized by the OSCE Centre in Ashgabat and the OSCE Office for Democratic Institutions and Human Rights (ODIHR) as part of their support to Turkmenistan in implementing OSCE commitments on democratic elections.

"Domestic observers play a key role in making elections transparent and in guaranteeing confidence in election processes," said Konrad Olszewski, Deputy director of ODIHR's election department. "This event is intended to contribute to Turkmenistan's capacity to hold elections further in line with OSCE commitments".

Two ODIHR experts and an independent election trainer gave an overview of OSCE commitments and international standards for elections, and introduced the ODIHR methodology for election observation. ODIHR publications Existing commitments for democratic elections in OSCE participating states and the Election Observation Handbook were also presented as a reference material for use at the seminar and in future election observation.

Participants also reviewed the Code of Conduct for observers, and took part in a simulation of an election observation, which gave them an opportunity to put into practice the methods and skills they acquired during the seminar. The OSCE Centre plans to continue its support to Turkmenistan on elections related issues.

## **2. DOMESTIC DEVELOPMENTS**

### **a. Turkmenistan: Where is Turkmenbashi's Money?**

**Source:** *Radio Free Europe/Radio Liberty/11/19/07. Copyright (c) 2007. RFE/RL, Inc. Reprinted with the permission of Radio Free Europe/Radio Liberty, 1201 Connecticut Ave., N.W. Washington DC 20036. Excerpt by OSI Turkmenistan Project.*

**Full version:** <http://www.rferl.org/featuresarticle/2007/11/07761d2a-df47-4850-b747-5464651d0ee5.html>

Excerpt: Nearly a year after the death of Turkmen President Saparmurat "Turkmenbashi" Niyazov, little is known about the vast amounts of money he is alleged to have concealed. Niyazov, who ruled the energy-rich state for more than 20 years, is thought to have controlled Turkmenistan's billions of dollars in natural-gas revenues in foreign banks. But it remains unclear where this money is and who controls it, and some experts say Turkmenistan's new leadership has no interest in pursuing the issue.

[Passage omitted on Turkmenistan's annual revenue of some \$5 billion a year from gas exports and 60 percent of the population living in poverty, with no information about expenditures of gas proceeds.]

Global Witness, a London-based international watchdog, says that under Niyazov, the Turkmen government's accounts in just one bank, Deutsche Bank, contained \$3 billion. Tom Mayne, a Central Asia campaigner for Global Witness, tells RFE/RL that gas revenues were directly controlled by Niyazov and used for his personal enrichment. Mayne says his organization has pursued the transparency of Niyazov's foreign accounts and the return of that money to Turkmenistan where it could be used to improve people's living conditions.

"It is important because this is money that belongs to the Turkmen people," Mayne says. "This is the money earned from the sale of Turkmenistan's natural resources, oil and gas. We believe it was put in the offshore accounts and -- though under the control of the Turkmen Central Bank -- it was actually, de facto, controlled by the president and he was using it to construct the personality cult that was so famous in Turkmenistan instead of the money going to the people."

[Passage omitted about 2006 *Der Spiegel* report on 2001 \$1.7 Turkmen-Ukrainian gas deal and plans to transfer revenue to Deutsche Bank.]

Global Witness published a report in April 2006 that said a "significant portion of revenue never finds its way into state coffers" and alleged that Niyazov parked much of the money in foreign bank accounts under his direct control. "A horrifying 75 percent of the state's spending...appears to take place off [the government's] budget," the report said.

[Passages omitted on president's call earlier this year to audit and abolish International Fund of Saparmurat Niyazov, but unwillingness of Turkmenistan to publish information.]

Success in gaining information about Niyazov's accounts depends not only on the Turkmen government but also on German authorities. Leaders of the exiled opposition Republican Party of Turkmenistan wrote in December to German Chancellor Angela Merkel, demanding an "official investigation" into Deutsche Bank's role in the former president's funds.

Global Witness called on Germany to ensure that the questions about German banks' dealings with Turkmenistan become transparent. In January, the German banking regulator BAFIN said that it had performed a "spot test" on the alleged Turkmen accounts, and stated that Deutsche Bank was acting in accordance with German-banking regulations. Following that, Deutsche Bank admitted only that it holds accounts for the Central Bank of Turkmenistan and denied managing any personal accounts for Niyazov. Global Witness said the conducted probe was not enough and called for a "full investigation." Mayne says the German government has avoided digging deeper on the issue in order to "not upset its applecart" in the energy game it has been pursuing in Central Asia and therefore "does not bring issues of human rights and good governance to the table."

[Passage omitted on Central Asia expert Andrei Grozin who believes Berdymukhamedov has control over Niyazov's fund and that there is likely consensus between Turkmenistan and Western banks not to disclose the information.]

Annadurdy Hajiev, a former deputy chairman of the Central Bank of Turkmenistan and an exiled opposition member, calls Berdymukhamedov's statements on conducting an audit and combating corruption "lip service." He says in a country without the rule of law, criminal cases about corrupt officials come only after the president points a finger at someone suspected of corruption and gives the personal order to launch an investigation. Hajiev says Berdymukhamedov is himself not held accountable for his expenses.



"If Berdymukhamedov wants [real changes], he must start with himself," Hajiev says. "Turkmenistan's budget should have a separate line that reads 'Expenses of the President' as it is done in other countries. If this is not practiced, then [the questions persist about] what does a presidential family live on, on what money does it survive. Everything that the president does for his children, for his family, must be transparent."

Experts question not only Berdymukhamedov's willingness to put attention on Niyazov's hidden treasure, but also if some of the flurry of international contracts that his government has signed are actually necessary. In early September, Berdymukhamedov awarded a contract to French construction firm Bouygues to design the seaport and a new airport in the city of Turkmenbashi on the Caspian seashore. Under Niyazov, Bouygues constructed a presidential palace, ministry buildings, banks, theaters, museums, as well as many empty showcase hotels in Turkmenistan in projects exceeding \$1.5 billion altogether. The most striking of the new projects is a billion-dollar project on the Avaza tourist zone on the Caspian shore that is expected to include 60 hotels, five sanatoriums, four health centers, and other facilities.

Farid Tukhbatullin, who heads the Turkmenistan section of the International Helsinki Foundation for Human Rights, says such projects will be just another burden on the Turkmen budget. He says the Turkmen people will not be able to afford to go to Avaza, while few foreigners are likely to go to a remote Turkmen Caspian shore due to extremely poor air connections.

[Passage omitted comparing Avaza project to Niyazov's eccentric ideas, and call by Global Witness and other observers for spending to be directed toward public needs.]

### 3. ECONOMIC NEWS

#### a. GE to Build Two Power Plants in Turkmenistan

**Original title:** *GE To Build Two Power Plants in Turkmenistan: Paper*

**Source:** *Reuters/Neitral'nyi Turkmenistan/11/19/07. Synopsis by OSI Turkmenistan Project.*

**Full version:** <http://www.reuters.com/article/companyNewsAndPR/idUSL1910658620071119>

**Synopsis:** General Electric plans to build two power plants in Turkmenistan and help develop solar energy, Reuters reported, citing *Neitral'nyi Turkmenistan*, the state newspaper. The paper said President Berdymukhamedov and GE officials reached the agreement at a meeting in Ashgabat last week.

"It is incredible, but in Europe, where there are so few sunny days, they are actively working on producing solar power," Berdymukhamedov said. Turkmenistan gets about 360 sunny days a year, he added. GE could not be reached for comment.

#### b. Turkmenistan Guarantees Favourable Regime for Foreign Investors.

**Source:** *ITAR/TASS/11/14/09. Synopsis by OSI Turkmenistan Project.*

**Full version:** <http://muslimuzbekistan.net/en/centralasia/headlines/news.php?ID=14297>

**Synopsis:** At the Turkmenistan Oil and Gas Conference 2007 November 14, Baimurad Khodzhamukhamedov, Deputy Minister of Oil and Gas Industry and Mineral Resources said Turkmenistan would guarantee foreign investors a favorable legal regime to develop its oil and gas sector, muslimuzbekistan.net reported, citing ITAR-TASS.

"Turkmenistan's oil and gas complex brings 75 percent of the country's currency proceeds, and for this reason we are building a strategy for attracting investments of foreign companies that have modern technology in projects for the comprehensive technological renewal of the sector," ITAR-TASS quoted him as saying.

Khodzhamukhamedov called for multiple delivery lines to supply Turkmen's fuels to world markets and noted that Turkmenistan's strategic partners are "Russia, China, and other countries." It is planned to extract 10 million tons of oil and 70 bcm of gas in Turkmenistan in 2007, about 45 percent slated for export, he said.

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*Unless otherwise indicated, all translations have been prepared by OSI's Turkmenistan Project.*

*About the Turkmenistan Project*

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